Full Year Results

2012-04-04

RNS Number : 7700A
Burford Capital
04 April 2012

4 April 2012

Burford Capital Limited Announces Full Year Results
Significant growth in profits to $15.9 million; dividend of 3.66¢/share proposed

Burford Capital Limited ("Burford Capital" or "Burford" or "the Company"), the world's largest provider of investment capital and risk solutions for litigation, announces its financial results for the year ended 31 December 2011.

Highlights

- Burford generated $15.9 million in profit in 2011 (2010: $1.9 million) and $20.2 million in comprehensive income (2010: $5.3 million), representing growth of 965% and 285% respectively
- Burford has committed $282 million in capital to investments since inception, approximately $180 million during 2011
- Through 31 December 2011, nine investments either concluded entirely or completed trial, producing expected net profits of at least $32 million on $35 million invested capital
- The Investment Adviser has built a high quality investment team and has succeeded in making a substantial impact in the legal market

- The portfolio continues to perform well in 2012. One investment in the core portfolio has settled recently, producing a 30% IRR, and another core investment has won the liability portion of its trial

- The acquisition of Firstassist, the UK's leading litigation insurance provider, was completed on 29 February 2012, paving the way for entry into the UK litigation finance market

- The Board has proposed payment of the same dividend as last year of 3.66¢ per share

Sir Peter Middleton, Chairman of Burford Capital, commented:
"We are delighted with the significant progress Burford has made in the past year both in terms of the growth and diversification of the portfolio, as well as the very encouraging results from realisations of existing investments. I would like to thank our investors for their continued support and the Board is pleased to announce a proposeddividend of 3.66¢ per share."

Christopher Bogart, Chief Executive Officer of Burford Group, commented:
"The results we have witnessed from our portfolio to date coupled with the high level of demand for capital have validated our original investment proposition, while giving us the incentive and means by which to continue to grow the business.

We continue to look for ways to build upon our leading position in the market and, aided by our recent entry into the UK market through the acquisition of Firstassist, believe we can further evolve the business and our product offerings. We are delighted that we have been able to achieve so much in the past year despite still being at a relatively early stage in our development, and look forward to continuing that momentum into 2012."

Analyst and Investor Conference Call

There will be an analyst and investor conference call today at 9am (EST)/ 2pm (BST) to discuss Burford's recent financial performance.

If you would like to register for the conference call and haven't done so already, please contact Laura Pope at FTI Consulting on laura.pope@fticonsulting.com or +44 (0)20 7269 7243

For further information, please contact:

Macquarie Capital (Europe) Limited (Nomad and Joint Broker)
Steve Baldwin +44 (0)20 3037 2000
Nicholas Harland

Espirito Santo Investment Bank (Joint Broker)
Richard Crawley +44 (0)20 7456 9191

FTI Consulting - PR for Burford Capital
Edward Berry +44 (0)20 7269 7297

Laura Pope +44 (0)20 7269 7243

For U.S. press inquiries:
Allan Ripp +1 212-262-7477

About Burford Capital

Burford is the world's largest provider of investment capital and risk solutions for litigation.

Burford Capital is a closed-end $300 million investment fund publicly traded on the London Stock Exchange's AIM Market under the ticker symbol BUR. Burford provides a broad range of corporate finance solutions to lawyers and clients engaged in significant litigation and arbitration around the world. Burford Group Limited serves as the investment adviser to Burford Capital and has an expert team drawn from major law firms and corporations.

For more information about Burford: www.burfordfinance.com

Chairman's Statement

The past year was one of significant growth and development for Burford, as we continued to expand both our product offerings and our geographic reach - all while staying focused on the mission of deploying capital and generating superior returns. The Adviser has served us well and the Board has noted with pleasure its recruitment and retention of top quality talent.

While much attention at the end of the year focused on our acquisition of Firstassist and our entry into the UK market, that should not overshadow a strong year in the US portfolio which saw a number of favorable resolutions and promising early returns, and enabled us to post a strong earnings performance for the year.

Investment portfolio

We're pleased with the portfolio. The Directors are very active in their oversight of it, with every investment scrutinized before it is made and with a quarterly review of the portfolio and the business. Details about the portfolio's contents and performance are set out in the Adviser's report. We are pleased with our diversification, and with our increasing range of investment structures and approaches.

Expansion

As the market leader, we believe that Burford has a unique opportunity to continue to expand its product offerings. We have already seen innovative uses of capital through an increase in portfolio-based investments. The acquisition of Firstassist will enable rapid entry into the UK market and the extension of the business model into insurance-related products.

Profitability

Burford posted solid profits for 2011. Our total comprehensive income was

$20.2 million and our profits were $15.9 million. (The comparable numbers for 2010 were $5.3 million and $1.5 million, respectively). We have kept a close eye on expenses, with non-management fee expenses increasing by 35% despite more than doubling our capital at the end of 2010.

Cash-based approach

We believe that litigation performance is appropriately measured on a cash basis, to avoid the dynamic of attributing significant increases and decreases in value to investments before their results are known given the uncertain nature of complex litigation matters and the absence of any secondary market for litigation claims. Our accounts reflect that view, with relatively small amounts of unrealized gain included.

We have also historically published a "cash NAV", but that measure has not been embraced by analysts and investors, and given the increased complexity in its computation following the Firstassist acquisition and the relatively modest and clearly identifiable unrealized gain in the portfolio, we do not intend to continue to use or publish it after this set of accounts. We will, however, continue to deduct unrealized litigation gains from NAV for purposes of the Adviser's performance fee computation, so no change of any substance is occurring in that regard, nor do we propose any change in the dividend policy.

Dividends

Our dividend policy is based on payments of dividends from net cash gains. Last year, the Directors recommended a 3.66¢ dividend even though strict application of the dividend policy would have produced a lower number. Shareholders voted unanimously in favor of that dividend.

This year, Burford has had a very good year given its young age. However, one of our profitable cases has not yet produced cash - because we believe we will ultimately fare better by waiting for the US real estate market to recover further than by forcing monetization today. We also have cash held in cash management strategies awaiting investment that did not produce cash gains per se because we did not sell the holdings at the end of the year. Thus, while paying a dividend based on accounting profits would pay 7.95¢ per share, strictly applying our cash-based dividend policy would produce a dividend of 0.28¢ per share.

The Directors are reluctant to deviate materially from our cash-based policy, but we are also reluctant to recommend a reduction in the dividend given our healthy profits. Thus, we recommend payment of the same dividend as last year, 3.66¢ per share, which at recent share prices and foreign exchange rates should produce a healthy dividend yield of 1.7%[1], well above the AIM average.

Incremental capital

It seems likely that at some point during 2012, we will reach the point of having our commitments to investments reach the amount of equity capital raised in 2009 and 2010. However, given the nature of the business, there is a material gap between commitments and deployments of capital, as some investments draw down their commitments over a multi-year period.

Maintaining a 1:1 relationship between future commitments and equity

capital is an inefficient use of an expensive form of capital. Thus, we will explore a variety of options to fund incremental commitments beyond raising more equity capital, such as relying on cash flow planning and possibly a stand-by credit facility to ensure capital adequacy.

We are looking forward to an interesting and productive 2012 for Burford.

Sir Peter Middleton GCB
Chairman
April 2012

[1] Based on a share price of 137.5p and a USD/GBP exchange rate of 1.58.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Business activities

The Company is an authorised closed-ended investment company incorporated under the The Companies (Guernsey) Law, 2008. Shares in the Company were admitted to trading on AIM, a market operated by the London Stock Exchange, on 21 October 2009. Burford Capital Limited (the "Company") and its subsidiaries (the "Subsidiaries") (together the "Group") provide investment capital and risk solutions with a focus on the litigation and arbitration sector.

Results and dividend

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 19.

The Directors propose a dividend of 3.66¢ per share based on the Company's performance in 2011 and pursuant to the application of the Company's dividend policy, as discussed further in the Chairman's Statement. Assuming shareholder approval, that dividend will be payable on 23 May 2012 to shareholders on the register as at close of business on 20 April 2012. Because Burford is a dollar-denominated business, we will henceforth declare dividends in dollars. For UK shareholders, those dividends will then be converted into Sterling shortly before the time of payment and paid in Sterling. Any UK shareholder who would like to receive dividends in dollars instead of Sterling should contact the Registrar. US shareholders will automatically receive their dividends in dollars unless they request otherwise.

The Directors proposed and paid a dividend of 2.22p per share based on the Company's performance in 2010 and on known results in the year to the date of the dividend. The dividend was paid on 17 May 2011 to shareholders on the register as at close of business on 8 April 2011. That dividend was proposed and paid in Sterling: it was equivalent to 3.66¢ per share.

Directors

The Directors of the Company who served during the year and to date are as stated on page 2.

Directors' interests

	Number of Shares	% Holding
Sir Peter Middleton	60,000	0.03
Hugh Steven Wilson	100,000	0.06
David Charles Lowe	100,000	0.06

Statement of Directors' responsibilities in relation to the Group Financial statements

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable Guernsey law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- State that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- Make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with The Companies (Guernsey) Law, 2008 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of

the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditors

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that theCompany's auditor is aware of that information.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Investment Adviser

The Investment Adviser Agreement has been amended (i) to reflect changes needed concerning the Company's departure from the use of cash NAV and other related changes as set out in the notes to the financial statements; (ii) to provide enhanced rights for the Company in the event of conflicts or dissatisfaction with the Adviser's performance; and (iii) to reaffirm the independent relationship between the Company and the Adviser.

Charles Parkinson
Director
3 April 2012

Investment Adviser's Report

As Sir Peter noted, Burford experienced significant growth and evolution in 2011.

We started the year having committed approximately $100 million to 18 investments. We ended the year having committed $282 million to 37 investments.[2] Along the way, we agreed to acquire Firstassist, which provides both a platform from which to enter the UK market and a profitable and accretive litigation expense insurance business.

Moreover, the portfolio started to show real evidence of performance, with the short duration portfolio giving visibility into encouraging returns - close to a doubling of invested capital in a relatively short period for those cases that have had cognizable results.

This early performance is shown in our profitability, which has risen more than 900% from the prior year - and which does not take account of Firstassist, the acquisition of which did not close until 29 February 2012.

We are pleased with the 2011 performance, but we also believe that yet more opportunities exist in this still-nascent intersection of law and capital, and that Burford is well positioned to develop them as we continue to evolve into a multi-faceted specialty finance institution.

The Adviser has also continued to expand. Andrew Langhoff has just been

appointed as Chief Operating Officer. He comes to us from Dow Jones, where he ran the European, Middle East, African and Latin American operations, including the Wall Street Journal, Dow Jones Newswires and Factiva. He started his career as a litigator at a major New York law firm. From there, he combined law and business for more than twenty years, ultimately ending up as the general counsel of a Dow Jones business unit before being promoted to CEO. We're pleased that we continue to attract very high quality talent who believe in the opportunity and the potential of this business.

[2] As usual, these numbers are cumulative from inception. Current commitments and outstanding amounts are set forth *infra*.

Macro environment

Burford's basic premise is that litigation-related assets and liabilities are just as amenable to corporate finance, investment capital and risk solutions as any other type of asset or liability. Our view is that litigation-related assets and liabilities have been underserved by financial providers in the past because of the idiosyncratic and sometimes emotive nature of litigation claims.

That premise - relatively unusual at the time of Burford's formation - has resonated with litigants and law firms. While uncertain economic conditions, rising litigation costs and shrinking corporate legal budgets have helped generate interest in Burford's proposition, the fundamental driver of Burford's success has simply been a thirst for financial options. Burford has met that demand with a significant pool of capital and a market-leading team.

It is a little more than two years since Burford's active participation in the market, and in that time we have seen a sea change of awareness and receptivity to us and our proposition. That, of course, has made our task easier, as we now spend less time educating and more time working with litigants and law firms on new and innovative ways to put capital to work. Indeed, a litmus test is perhaps not only the existence of a *Litigation Funding* magazine, but its most recent cover story on Burford as the "giant" in the field.

Naturally, Burford's visibility and success have resulted in a variety of collateral responses.

Other market participants have entered or announced their intention to enter the field. Some are legitimate players with access to capital and quality management, although those are few and none has the combination of Burford's capital and team. We nonetheless welcome such entry into the market to continue to expand its credibility and prominence and do not regard it as a negative development. With that increasing prominence, however, comes the risk of market activity by those who are less than forthright about their capabilities and limitations, and we urge diligence and probing investigation by investors or potential users of capital to ensure that claimed market participants in fact have the capital and the capacity to do what they promise.

There are also those who are critical of this business. Most of the critics are entirely self-interested people or firms (or those in their employ) that today benefit from the imbalances present in the litigation system. In addition to being Burford's CIO, Jon Molot is also one of America's leading academic writers on litigation risk transfers, and in a new scholarly paper

he explains the dynamic:

> Those who naturally benefit from an uneven playing field cling to that advantage and attack litigation funding. A corporate defendant able to afford the most expensive firm's hourly bills has a natural advantage in litigation because it can outspend its opponent, drag out the litigation process, and induce the plaintiff to settle for less than it otherwise would so as to avoid the ongoing costs and risks of litigation. An imbalance in resources and risk preferences works to the defendant's advantage. And to the extent that financing levels the playing field, it effects an unwelcome change in litigation dynamics. If the defendant can paint litigation finance in a sinister light, it will do so.

Nevertheless, there remains noise, which will doubtless continue. Despite the noise, those bar associations and others who have studied dispassionately the emergence of litigation finance have concluded that it is ethically permissible.

We are optimistic about the future, and continue to believe the business model has substantial scope for continued profitable capital deployment and expansion.

Firstassist and the UK market

Relatively early in 2011, we decided that the core US business was sufficiently staffed and managed to permit consideration of geographic expansion. We quickly identified the UK as Burford's first logical expansion market. Not only is the UK the world's second-largest English-language litigation market, after the US, but Burford was already present in the UK due to our investor base, stock market listing and London-focused international arbitration business.

Moreover, the UK is a hospitable environment for litigation finance. Government policy favors litigation funding as enhancing access to justice. Solicitors are required to advise every new client of their funding options. Lord Justice Jackson has conducted a far-ranging review of the UK justice system and concluded that: "Funding is beneficial and should be supported. It promotes access to justice."

We explored organic entry into the UK market as well as other acquisition or partnership possibilities, but upon meeting the Firstassist team we rapidly decided that acquiring the leading UK commercial litigation expense insurance provider and using that profitable platform to help enter the UK litigation funding business made enormous sense.

Firstassist today is purely an insurance provider. It does not provide litigation funding. Rather, it provides insurance against the risk of a party in litigation losing and thus being liable for the other side's costs and any disbursements. If the insured party wins, Firstassist collects a premium, usually computed as a percentage of the costs risk it assumed; if the insured party loses, its insurance coverage pays the ensuing adverse costs award.

Because each insurance policy is being issued in connection with a specific piece of litigation (as opposed to more conventional liability insurance which is issued without specific litigation in mind), Firstassist's underwriting decisions involve assessment of the likelihood of success of

each matter on which it provides coverage. Thus, Firstassist is already a UK expert at assessing litigation risk as a financial matter. Firstassist operates with a staff of more than thirty.

Firstassist has an enviable track record and further proves out the concept we have enunciated to investors for litigation funding generally. Some historical data is instructive:

- Firstassist has been providing legal expenses insurance since 1999.
- Since that time, it has provided coverage for tens of thousands of litigation matters in the UK.
- The current portfolio is made up of more than 17,000 matters, but many of them are small policies that are not particularly significant to Firstassist's profitability.
- At any given time, Firstassist has in excess of 600 ongoing matters in its Pursuit line of business, which is focused on larger commercial claims. Of those Pursuit matters, Firstassist has a consistent win rate in excess of 85%.

Financially, Firstassist is nicely profitable. In 2011, it posted profit on ordinary activities before tax of £10.6 million[3], although that number included a £4.8 million profit on a single large case which is not expected to recur. (We provide historical information about Firstassist in Sterling. Once consolidated into Burford's results, we will express its performance in US dollars at prevailing exchange rates and do not presently intend to hedge the currency exposure that will ensue.)

[3] This is contained in Firstassist's draft financial statements on which a final audit opinion has not yet been issued.

Firstassist was owned by Barclays Private Equity group, now known as Equistone. In December 2011, we agreed on the acquisition of Barclays' interests in Firstassist for a cash payment at closing of £10.3 million, with £3 million of cash remaining in the business, for a net, cash-free price of £7.3 million and a post-closing tangible net asset adjustment. The transaction closed on 29 February 2012 following FSA approval.[4]

Assuming Firstassist generates at least £19.3 million in EBITDA in 2012 and 2013 combined, a further earn-out payment of £7 million will be paid in 2014 to Equistone. Lower earnings would decrease the earn-out, such that combined EBITDA below £14.5 million or a substantial decline in new insurance business would result in no earn-out being paid.

The transaction provides significant benefits to Burford. The acquisition is attractively priced and structured at a low multiple that reflects the uncertainty associated with the Jackson reforms on the litigation expenses insurance business[5]. Through it, Burford gains the services and brand of a leading team to pursue third party funding as an adjunct to, and hedge for, the insurance business. The combination is expected to be earnings-enhancing in 2012, to have a significant impact on the UK market and to result in Burford becoming the leading UK provider of litigation capital and insurance solutions.

The combination of Firstassist and Burford is also compelling for strategic reasons. Burford gains an existing business with 32 employees, a solid track record of growth and profitability, a sales platform and relationships with hundreds of law firms that can both continue to write litigation expense insurance and also expand with Burford to offer capital to those law firms to fund cases. Firstassist gains the capital and expertise of the world's largest litigation funder.

[4] The 12 December 2011 announcement of the Firstassist transaction indicated that we were continuing to study the optimal transaction structure for the acquisition. In the end, Burford Capital Limited acquired 100% of the preferred ordinary shares in the Firstassist group, amounting to approximately £25 million in par value with a 6% annual preferred dividend, and 87.5% of the ordinary shares, with the remaining 12.5% of the ordinary shares continuing to be owned by Firstassist's management.

[5] The pending reforms will change the landscape for such insurance, principally by eliminating recoverability of premiums as a "cost" of litigation and also by moving to one-way fee shifting for certain smaller claim types. The differing impact of those reforms on the market is still uncertain. Small personal injury matters, which make up quite a small portion of Firstassist's business in financial terms, are likely to be very negatively affected.

Investment Portfolio

The investment portfolio showed meaningful activity in 2011, and that activity has already continued into 2012. The activity has taken several forms, each of which we will discuss in some detail.

We are also moving to the provision of portfolio data on an accounting period basis to eliminate any potential confusion between financial and portfolio information. Thus, all portfolio information contained in this report is as of 31 December 2011 unless otherwise noted. We may provide individual investment updates for developments that have occurred since the end of an accounting period, much like subsequent event disclosures, but we will stop having different portfolio and financial reporting periods. Thus, in addition to the reporting below, we will next provide comprehensive portfolio data as of 30 June 2012 when we release our interim results, which we expect to do on 31 July 2012. We will also continue our practice of interim portfolio updates by IMS.

Deployment

Our investment of new capital has continued to be strong. During 2011, we committed approximately $180 million to 19 new investments. Thus, since inception, we have committed a total of $282 million to 37 investments. Taking into account completed investments and returned capital, our current level of commitment is $236 million to 31 investments.

	Commitments since inception	
	Commitment amount	Number of investments
Short duration portfolio	$58 million	12
Core portfolio	$153 million	20
Special situations portfolio	$25 million	3
Other investments	$46 million	2
Total	$282 million	37

	Current commitments	
	Commitment amount	Number of investments
Short duration portfolio	$37 million	7
Core portfolio	$143 million	19
Special situations portfolio	$10 million	3
Other investments	$46 million	2
Total	$236 million	31

While we remain open to new matters for the short duration portfolio, and made one new such investment in 2011, the bulk of our 2011 activity was in the core portfolio.

Notably, our average commitment per investment has continued to rise. Across the entire portfolio, we are now at an average commitment of $6.8 million per investment since inception; in 2011, that number was even higher, at $8.0 million.[6]

Average investment size is significant for Burford, as it does not take materially more effort to close a $10 million litigation investment in the US than a $2 million one, and it would be logistically challenging to deploy all of our capital in small investments. However, there are finite limits to this metric given the cost of a piece of litigation, so we do not expect it to continue to rise dramatically. Moreover, the UK market has structural aspects and Firstassist has the experience and team to be able to handle smaller amounts of litigation funding efficiently and profitably, so we think very differently about average investment size in the UK.

As the prominence and acceptance of litigation funding continues to grow, we continue to see robust levels of inquiry and strong demand for our capital. Most excitingly, we are seeing an increase in the users of capital - litigants and law firms - thinking creatively about how to put capital to work in their businesses, which has in turn led to new and diverse transaction structures.

[6] These numbers do not include the "other" segment of the portfolio.

Diversification

We have always maintained that the right way to invest in litigation risk is through a broadly diversified portfolio, and we have practised that view assiduously. The Burford portfolio is diversified across a number of metrics, each of which is monitored by the Board for compliance with internal portfolio policies. Those metrics include caps for investment by law firm, claimant, state, judge and area of law.

Recently, we have been successful in achieving yet more diversification through the use of differing investment structures. We are increasingly enthusiastic about portfolio structures, where litigants or law firms ask us to finance a group of claims and where the risk is spread across the group. This clearly decreases the risk of binary loss and permits us to offer more favorable terms as a result. Other structures are coming into use as well. For example, we have provided investment capital by purchasing equity in the vehicle that is bringing litigation claims. We have more than once been asked to purchase a species of security called a contingent value right offered by a listed company. We believe this kind of structural innovation will continue, to Burford's advantage in both capital deployment and risk management.

Performance

We have now had a number of investments provide results and we can begin discussing portfolio performance on a macro basis.

We have always analogised Burford and its portfolio to a venture capital fund: investments will produce widely varying results, some performing as expected, some out-performing substantially, and some disappointing or producing total losses. That is just what we have experienced.

Through 31 December 2011, we had six matters conclude completely and three matters complete at least a trial-level adjudication. Across those nine matters, we have received or have good visibility into approximately $32 million of net profit[7] (net of losses and case-specific expenses) on invested capital of approximately $35 million with an average investment life of around one year to date.

[7] The expected net profit figure provided here is simply a measure of expected return on capital as to the investments cited and is not an accounting or portfolio-wide measure.

Since 31 December 2011, we have had further portfolio activity:

- A core investment won the liability phase of its trial, with damages to be awarded in the next phase of trial if the matter does not settle in the interim.

- A core investment matter settled early in 2012. Our $3.5 million investment will be returned along with a further $3 million profit to be paid on an installment basis; the investment is expected to yield an IRR of 30%.

- In a matter financed by Burford only after the plaintiff won at trial, the trial judgment was overturned on appeal. Moreover, rather than ordering a new trial or further proceedings in the trial court, the appellate court took the unusual step of actually dismissing the

action. This was, in our view, erroneous as a matter of law, and the plaintiff is pursuing other appellate relief, but the reality of the US justice system is that it is very difficult to obtain such relief once a panel of a federal appeals court has made such a decision, and this matter is likely to result in a $3.2 million loss. We have written about losses and our approach to investing before and won't repeat all of our commentary, except to say that we accept and expect losses as part of our portfolio. The case in question is one that we would do again if presented, and statistically we would be much more likely to win this kind of case than lose. Had we won, we would have generated a profit of close to $10 million, making this a risk worth running; indeed, economically it would make sense to do these kinds of cases on these terms even if we were to lose half of them.

We have commented before on, and discussed with investors, our struggle to balance investor desire for information about specific matters in the portfolio with the need to preserve litigants' confidentiality, and we discovered early in Burford's life that even quite scant amounts of information could lead enterprising opponents to discover and make hay of Burford's involvement. Although we recognize that this can be frustrating for investors (and we are grateful for their forbearance and confidence), we think investors would be unhappier still to have investment performance impaired simply to obtain more detailed information about the portfolio, and thus we believe we're charting the right course here. That said, we do think that providing more information about cases that have entirely concluded may provide a window into the portfolio and its operation. Thus, we have provided below investment details about five investments that have entirely concluded and paid Burford in full; obviously, as some of our earliest investments, these
matters tend to be smaller than our investments today and while not necessarily representative do provide valuable insights into our activity.[8]

[8]The sixth such investment is the matter in which Burford received a break fee, and while Burford's role is over, the litigation matter is continuing, and we are not free to release any information about it pursuant to our confidentiality agreement.

- A law firm had won a substantial trial verdict that was on appeal, and the matter was also embroiled in some complex insolvency proceedings. As a result, the firm's fees were being delayed. We provided $6 million in capital to the firm to enable it to take on other cases while it waited for the proceeds. Eleven months after our investment, our capital was returned plus a $4.5 million gross profit, from which there were approximately $0.1 million in expenses for a net profit of $4.4 million. Our arrangement was largely time based, with our return increasing as time passed, so that if the matter had taken more than 30 months to resolve (which we did not expect) we would have earned at least 3x our investment. These terms are richer than one would normally expect to see for a post-verdict financing, but there were unusual complexities and risks in the case.

- A small technology company won an arbitration claim against a larger defendant. The merits of the case were strong but the defendant was using every trick in the book to delay payment, principally by bringing a series of appeals and challenges, and the small firm needed operating cash. Burford provided $2 million of

investment capital. About 22 months later, the defendant exhausted its delaying tactics and paid the judgment, and Burford received $4.5 million for a $2.5 million gross profit, from which there were approximately $0.1 million in expenses. Burford's arrangement was time based here as well, and Burford's gross profit would have risen to $5 million after 30 months.

- Another small technology company was in litigation with a much larger firm over the theft of its intellectual property. Burford's capital was used in part to pay the arrears of a major law firm that had been prosecuting the case and in part for business purposes. Burford invested $2 million and was entitled to a portion of any ultimate recovery on a sliding scale, ranging from 67% of a small recovery to 35% of a large one. Ultimately, the case settled six months after our investment for around $3 million, a smaller amount than expected, largely because the plaintiff was nervous and risk-adverse. Thus, Burford received its investment back, but without a gain, and the plaintiff concluded that $1 million for itself was better than the risk of further proceedings. We believe that the plaintiff misjudged the strength of its case and its negotiating position and settled well below the true value of its claim, but one of the elements of this business - and one we respect scrupulously - is that Burford is simply a provider of investment capital and that the litigant retains control of its case, which means that litigants will act in ways that we think are not economically optimal from time to time.

- Burford, along with a co-investor, provided $19 million in investment capital to a technology firm in connection with an intellectual property dispute. (Burford itself invested $9 million.) There was good reason to believe that the dispute would produce cash from one of the defendants in relatively short order, but even so, we were taken aback to have that occur a mere seven days after closing the investment. The terms here were also time-based, and as a result Burford was paid $1.325 million in addition to the return of its capital nine days after closing. Had the matter taken between six and twelve months to resolve, Burford would have earned a much larger profit - $9.474 million in addition to return of capital. Burford's net profit was somewhat lower because of some taxes and closing costs but this remained an extraordinary investment on an IRR basis.

- Two entrepreneurs had built a services business that they sold for more than $100 million and they had a falling out over the allocation of the profits. One of the partners commenced an arbitration proceeding against the other. The defendant hired an AmLaw 10 firm and paid its fees, but after a time needed financing to continue. Burford provided $2.4 million in capital to the defendant to enable the continued retention of the law firm. Had the defendant succeeded in the arbitration, which essentially would have meant retaining a meaningful share of the transaction's profits, Burford would have received $9.46 million, for a profit after expenses of around $7 million. Unfortunately, the arbitrator did not like the defendant and found against him, with the result that Burford lost its investment (and the defendant lost his share of the sale profits and went bankrupt). The case was strong on the law and the law firm was very able, but personal idiosyncrasies like these play a role in litigation results; a different

arbitrator could well have reached the opposite result.

Finally, without providing any case specifics, we set out below the actual economic terms from several investments made in 2011 so that investors may see the kinds of returns individual investments are capable of providing if successful. These are neither the most lucrative nor the least; they are intended to be representative, although deal terms vary widely and there is also no assurance that Burford will not compromise the negotiated terms for the sake of facilitating resolution.

- Burford invested, for the core portfolio, in a litigant with a breach of contract and theft of trade secrets case against a large, public US company. Burford has provided $3 million of capital and has two further $1.5 million options to invest more capital as the case proceeds. Upon a settlement before a trial judgment, Burford would be entitled to its investment back and a 40% preferred return on its investment, plus 33% of the first $50 million of net proceeds with a sliding scale thereafter to 18% of net proceeds above $150 million. (The foregoing percentages would increase to from 33% to 40% and 18% to 23% in the event of the matter proceeding to trial.) The matter is a core portfolio investment and is past the motion to dismiss stage and in active discovery.

- Burford invested, for its short duration portfolio, in a business dispute where a jury verdict had already been rendered for the plaintiff and post-trial proceedings are underway. Burford provided $4 million in capital for ongoing funding of the business and is entitled to a 32.5% annual interest rate, compounding monthly.

- Burford invested, for the core portfolio, in a contract dispute matter, and has provided $4 million in funding to meet legal fees and expenses. Burford is entitled to the return of its capital, a further $2.5 million preferred return, and 35% of the net proceeds of the case. The case is expected to have a trial date set for later in 2012 or early in 2013.

Financial performance

Having cash flow provided by litigation resolutions has advantages, most notably the complete absence of correlation between that cash flow and broad stock market performance. There are not many genuinely uncorrelated asset classes, but litigation finance is one.

However, litigation is also inherently unpredictable - except that, as we often say to litigants, it usually costs more and takes longer than predicted. As a result of that unpredictability, there is a tendency for our financial results purely from single case outcomes to be lumpy.

As we have expanded and broadened the business in which Burford is engaged, we have thus focused not only on desirable investment propositions but also on opportunities that provide more predictable cash flow.

In 2011, for example, the combination of the income from our litigation portfolio financing and income from our cash management activities more

than covered all of the operating expenses of the business, including management fees.

In 2012, cash management income will decline as uninvested cash declines, but we will begin seeing cash contributions from Firstassist in 2012.

Moreover, as we continue to pursue portfolio investments and other new structures, we will continue to add financial diversification to the portfolio with an eye to providing a level of consistent cash flow.

Looking ahead

Burford has achieved rapid growth under any metric since its inception two and a half years ago while staying true to its core investment proposition. As 2012 continues, we will remain focused on executing the existing business and integrating Firstassist, while at the same time looking ahead to other opportunities. We continue to see high levels of interest from litigants and law firms in making use of capital to solve business challenges related to the high costs of litigation or based on litigation asset values, and we expect a continually evolving business and product suite.

We're proud to have assembled the largest and finest team in the industry - more than 50 strong now including Firstassist - and we look forward to the challenges and opportunities ahead.

Christopher Bogart
Chief Executive Officer

Jonathan Molot
Chief Investment Officer

April 2012

Independent Auditors' Report

To the members of Burford Capital Limited

We have audited the consolidated financial statements of Burford Capital Limited for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities on page 6 the Company's Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the consolidated financial statements. In addition we read all the financial and non-financial information in the report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of its profit and comprehensive income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

To the members of Burford Capital Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you, if, in our opinion:

- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP
Guernsey
3 April 2012

Notes:

1. The maintenance and integrity of the Burford Capital Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Guernsey governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2011

	Notes	Year ended 31 December 2011 $'000	Period from 11 September 2009 to 31 December 2010 $'000
Income			
Net gains on investments at fair value through profit or loss	6	8,283	1,968
Net gains on available for sale investments	7	14,927	5,138
Interest income from litigation portfolio financing	8	1,757	-
Net bank interest income		2	75
Net foreign exchange gain		1	197
Total income		24,970	7,378
Operating expenses	4	(9,077)	(5,528)
Profit for the year/period before taxation		15,893	1,850
Taxation	5	-	(357)
Profit for the year/period after taxation		15,893	1,493
Other comprehensive income			
Fair value change in available for sale financial assets	7	4,340	3,757
Total comprehensive income for the year/period		20,233	5,250
		Cents	**Cents**
Basic and diluted profit per Ordinary Share	12	8.83	1.92
Basic and diluted comprehensive income per Ordinary Share	12	11.24	6.74

The notes on pages 22 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position as at 31 December 2011

	Note	2011 $'000	2010 $'000
Assets			
Non-current assets			
Available for sale financial assets	7	122,940	61,819
Litigation portfolio financing	8	30,000	-
Due from settlement of available for sale financial assets		14,694	-
		167,634	61,819
Current assets			
Financial assets designated at fair value through profit or loss	6	144,805	230,027
Receivables and prepayments	9	539	674
Cash and cash equivalents		8,902	8,997
		154,246	239,698
Total assets		321,880	301,517
Liabilities			
Current liabilities			
Payables	10	2,354	5,690
Due for purchases of financial assets at fair value through profit or loss		10,254	-
Total liabilities		12,608	5,690
Total net assets		309,272	295,827
Represented by:			
Share capital	11	290,376	290,577
Revenue reserve		10,799	1,493
Other reserve		8,097	3,757
Total equity shareholders' funds		309,272	295,827

		Cents	Cents
Net asset value per share			
Net asset value per Ordinary Share (computed pursuant to IFRS)	12	171.82	164.35
"Cash" net asset value per Ordinary Share	12	166.07	163.16

The notes on pages 22 to 39 form an integral part of these consolidated financial statements.

The financial statements on pages 18 to 39 were approved by the Board of Directors on 3 April 2012 and were signed on its behalf by:

Charles Parkinson
Director

Consolidated Statement of Cash Flows for the year ended 31 December 2011

	Year ended 31 December 2011 $'000	Period from 11 September 2009 to 31 December 2010 $'000
Cash flows from operating activities		
Profit for the year/period before tax	15,893	1,850
Adjusted for:		
Fair value change on financial assets (note 6)	(4,923)	(61)
Realised (gains)/losses on disposal of assets designated at fair value through profit or loss	(318)	160
Realised gains on disposal/realisation of available for sale investments	(14,927)	(5,138)
Effect of exchange rate changes on cash and cash equivalents	(1)	(195)
	(4,276)	(3,384)
Changes in working capital		
Decrease/(increase) in receivables	135	(674)
(Decrease)/increase in payables	(111)	4,451
Taxation paid	(357)	-
Net proceeds from disposal/(net purchases) of assets designated at fair value through profit or loss	100,717	(230,126)
Purchase of available for sale investments	(84,723)	(68,257)
Proceeds from available for sale investments	25,307	16,215
Litigation portfolio financing	(30,000)	-
Net cash inflow/(outflow) from operating activities	6,692	(281,775)
Cash flows from financing activities		
Issue of shares	-	303,221
Issue expenses	(201)	(12,644)
Dividend paid	(6,587)	-
Net cash (outflow)/inflow from financing activities	(6,788)	290,577
Net (decrease)/increase in cash and cash equivalents	(96)	8,802
Reconciliation of net cash flow to movements in cash and cash equivalents		
Cash and cash equivalents at beginning of year/period	8,997	-
(Decrease)/increase in cash and cash equivalents	(96)	8,802
Effect of exchange rate changes on cash and cash equivalents	1	195
Cash and cash equivalents at end of year/period	8,902	8,997

The notes on pages 22 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31

December 2011

	Note	Share capital $'000	Revenue reserve $'000	Available for sale reserve $'000	TOTAL $'000
Balance at 1 January 2011		290,577	1,493	3,757	295,827
Issue expenses		(201)	-	-	(201)
Profit for the year		-	15,893	-	15,893
Other comprehensive income		-	-	4,340	4,340
Dividend paid	13	-	(6,587)	-	(6,587)
Balance as at 31 December 2011		290,376	10,799	8,097	309,272

Consolidated Statement of Changes in Equity for the period from 11 September 2009 to 31 December 2010

	Share capital $'000	Revenue reserve $'000	Available for sale reserve $'000	TOTAL $'000
Issue of shares	303,221	-	-	303,221
Issue expenses	(12,644)	-	-	(12,644)
Profit for the period	-	1,493	-	1,493
Other comprehensive income	-	-	3,757	3,757
Balance as at 31 December 2010	290,577	1,493	3,757	295,827

The notes on pages 22 to 39 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Legal form and principal activity

Burford Capital Limited (the "Company") and its subsidiaries (the "Subsidiaries") (together the "Group") provide investment capital and risk solutions with a focus on the litigation and arbitration sector (collectively, "investments"). The Company is a closed-ended investment company which was incorporated under The Companies (Guernsey) Law, 2008 (the "Law") on 11 September 2009. Shares in the Company were admitted to trading on AIM, a market operated by the London Stock Exchange, on 21 October 2009. These financial statements cover the period from 1 January 2011 to 31 December 2011.

The Company has no employees.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Basis of accounting
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union). IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets that are not apparent from other sources. Actual results may differ from these estimates. The consolidated financial statements are presented in United States Dollars and are rounded to the nearest $'000 unless otherwise indicated.

Significant estimates - valuation of available for sale investments
The most significant estimates relate to the valuation of available for sale investments which are determined by the Investment Adviser and approved by the Directors.

Fair values are determined on the specifics of each investment and will typically change upon an investment progressing through a key stage in the litigation or arbitration process in a manner that, in the Investment Adviser's and Board's judgement, would result in a third party being prepared to pay an amount different from the original sum invested for the Company's rights in connection with the investment. Positive, material progression of an investment will give rise to an increase in fair value whilst adverse outcomes give rise to a reduction. The quantum of change depends on the potential future stages of investment progression. The consequent effect when an adjustment is made is that the fair value of an investment with few remaining stages is adjusted closer to its predicted final outcome than one with many remaining stages.

In litigation matters, before a judgement is entered following trial or other

adjudication, the key stages of any matter and their impact on fair value is substantially case specific but may include the motion to dismiss and the summary judgement stages. Following adjudication, appeals proceedings provide further opportunities to re-assess the fair value of an investment. Arbitration matters tend to have fewer stages at which a re-assessment of fair value is appropriate, often being limited to the issuance of an award by the tribunal and any permissible challenges thereafter.

The estimation of fair value is inherently uncertain. Awards and settlements are hard to predict and often have a wide range of possible outcomes. Furthermore, there is much unpredictability in the actions of courts, litigants and defendants because of the large number of variables involved and consequent difficulty of predictive analysis. In addition there is little activity in transacting investments, hence little relevant data for benchmarking the effect of investment progression on fair value.

Basis of preparation
The financial statements have been prepared on a going concern basis under the historical cost convention adjusted to take account of the revaluation of certain of the Group's investments to fair value.

IASB and IFRIC have issued the following standards and interpretations which are not yet effective and have not been adopted:

		Effective date
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 7	Disclosures - transfers of financial assets (amendment)	1 July 2011
IFRS 7	Disclosures	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interest in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 32	Financial instruments presentation	1 January 2014

IFRS 9 removes the available for sale classification. It is anticipated that the Group's available for sale investments will then fall within the fair value through profit or loss category. Consequently transaction costs will be expensed rather than included in the cost of the investment. No formal analysis has been completed on the impact of the adoption of any of the other standards and interpretations on the Group's financial statements in the period of initial application.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Burford Capital Limited and its Subsidiaries. All the Subsidiaries are consolidated in full from the date of acquisition.

All intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in full.

The Subsidiaries' accounting policies and financial year end are consistent with those of the Company.

Geographical and segment reporting

For management purposes, the Group is organised into one business segment, which provides investment capital and risk solutions. All of the Group's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. The Board consider that there is only one geographical segment, this being a worldwide segment.

Financial instruments
The Company classifies its financial assets into the categories below in accordance with IAS 39: 'Financial Instruments: Recognition and Measurement'.

1) Financial assets designated at fair value through profit or loss
Investments for the purpose of cash management, acquired to generate returns on cash balances awaiting subsequent investment, and which are managed and evaluated on a fair value basis, are designated at fair value through profit or loss at the time of acquisition. Their initial fair value is the cost incurred at their acquisition. Transaction costs incurred are expensed in the Consolidated Statement of Comprehensive Income.

Recognition, derecognition and measurement
Financial assets designated at fair value through profit or loss are recorded on the trade date. Financial assets at fair value through profit or loss held at the year end date are valued at bid price.

Movements in the difference between cost and valuation and realised gains and losses on disposal or maturity of investments, including interest income, are reflected in Income in the Consolidated Statement of Comprehensive Income.

Net gains on financial assets at fair value through profit or loss
Listed interest bearing debt securities are valued at their quoted bid price. Movements in fair value are included within net gains on investments at fair value through profit or loss. Interest earned on these investments is recognised on an accruals basis. Listed corporate bond funds are valued at their quoted bid price. Unlisted managed funds are valued at the Net Asset Value per share published by the administrator of those funds as it is the price at which they could have been realised at the reporting date. Movements in fair value are included within net gains on investments at fair value through profit or loss in the Consolidated Statement of Comprehensive Income.

2) Available for sale financial assets
Unless otherwise determined by the Company, its investments in claims are categorised as available for sale financial assets. Investments are initially measured as the cash sum invested. Attributable due diligence and closing costs are included in the cost of the investment.

Recognition, derecognition and measurement
Purchases and sales of available for sale financial assets are generally recognised on the trade date, being the date on which the Group disburses funds in connection with the investment (or becomes contractually committed to pay a fixed amount on a certain date, if earlier). In some cases multiple disbursements occur over time. Investments are measured as the sum invested including attributable due diligence and closing costs. Sales of available for sale financial assets are generally recognised on the date on which the Group receives, or becomes contractually entitled to receive, cash or marketable securities. When the

Group has transferred its rights to receive a proportionate share of the cash flows from an asset, and has transferred substantially all of the associated risks and rewards, a proportion of the asset is de-recognised.

Subsequent to initial measurement and prior to actual realisation, investments are measured at fair value.

Increases and insignificant short-term decreases in fair value related to each investment are taken to the available for sale reserve in equity and other comprehensive income. When actual gains or losses with respect to each investment occur, they are recorded in income and reversed out of other comprehensive income.

Investment sub-participation
Investment sub-participations are classified as financial liabilities and are initially recorded at the fair value of proceeds received. They are subsequently measured at fair value with changes in fair value being recorded in net gains on investments in the Statement of Comprehensive Income.

3) Loans and receivables
Loans, including litigation portfolio financing, that have fixed or determinable payments that are not quoted in an active market are classified as financings and receivables. Loans are measured at amortised cost using the effective interest method, less any impairment.

Fair value hierarchy of financial instruments
The financial assets measured at fair value are disclosed using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements, as follows:-
Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 - Those inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Due diligence costs
Due diligence costs and closing costs attributable to investments are included in the cost of the investment. Due diligence costs attributable to potential investments that the Company has decided not to pursue have been expensed in the Consolidated Statement of Comprehensive Income. Due diligence costs attributable to potential investments that remain under consideration at period end have been capitalised and are included within receivables and prepayments.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company as determined in accordance with IFRS is the United States Dollar ("US Dollar") because this is the currency that best reflects the economic substance of the underlying events and circumstances of the Company and its Subsidiaries. The consolidated financial statements are presented in US Dollars, the presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income as part of the profit or loss for the period.

Bank interest income
Bank interest income is recognised on an accruals basis.

Expenses
All expenses are accounted for on an accruals basis.

Cash and cash equivalents
Cash and cash equivalents are defined as cash in hand, demand deposits, and highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents at the balance sheet date comprised amounts held on current or overnight deposit accounts.

Taxation
Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted.

To the extent that any foreign withholding taxes or any form of profits taxes become payable these will be accrued on the basis of the event that creates the liability to taxation.

Deferred tax is provided on the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Dividends
Dividends paid during the period are dealt with in the statement of changes in equity. Dividends proposed but not approved by Shareholders are disclosed in the notes as commitments.

Receivables and prepayments
Receivables and prepayments are recognised at nominal value, less provision for impairments for non-recoverable amounts. They do not carry any interest.

Payables
Payables are recognised at nominal value and are non-interest bearing.

Capital and reserves
Ordinary shares are classified as equity in share capital. Incremental costs directly attributable to the issue of new shares are deducted from equity in share capital.

Forward foreign exchange contracts

Forward foreign exchange contracts are valued by reference to similar contracts settled at the balance sheet date. Fluctuations in the fair value of open forward foreign exchange contracts are recorded as unrealised gains or losses. Upon the closing of a contract the gain or loss is recorded as a realised gain or loss. Realised and unrealised gains and losses are disclosed as foreign exchange gain or loss in the Consolidated Statement of Comprehensive Income.

3. Material agreements

a) Investment Adviser's fee

Under the terms of an Investment Adviser Agreement (the "Investment Adviser Agreement") dated 16 October 2009, as amended, most recently as of 1 January 2012, the Company appointed Burford Group Limited (the "Investment Adviser") to provide advisory services to the Company. The Investment Adviser is entitled to be paid a fee based on the adjusted net asset value ("Adjusted NAV") of the Company, payable quarterly in advance at an annual rate of 2 per cent, provided, however, that the adjusted net asset value for the period from Admission through 9 December 2010 shall exclude the impact of the Placing of Ordinary Shares in December 2010 and provided that the fee shall not be less than $6 million for each of 2012 and 2013. Adjusted NAV means the net asset value of the Company at the relevant time, after accruing for the annual advisory fee but not taking into account any liability of the Client for accrued performance fees and after (i) deducting any unrealised gains on available-for-sale investments; (ii) adding the amount of any write downs with respect to available-for-sale investments which have not been written off in full; and (iii) adding the amount of any dividends paid since Admission.

b) Performance fee

Under the terms of the Investment Adviser Agreement the Investment Adviser is entitled to be paid a performance fee on the following basis:

(i) If the Adjusted NAV on any Calculation Date represents at least a cumulative non-compounded 8% return per annum from the Adjusted NAV as of 31 December 2010 (the "Preferred Return") and exceeds the Adjusted NAV on (in the case of the first payment) 31 December 2010 and thereafter the previous occasion on which a performance fee was payable ("High Water Mark"), the Investment Adviser is entitled to a performance fee equal to 20% of the increase in Adjusted NAV since the last High Water Mark, payable only to the extent it would not reduce the return below the Preferred Return.

(ii) 30% of the performance fee paid for any accounting period (the "Provisional Amount") shall be subject to clawback. If the Adjusted NAV on the third anniversary of the end of the relevant accounting period (the "Testing Date") does not represent at least the Preferred Return, that period's Provisional Amount (but no more) shall be repaid to the extent necessary to restore the Fund to the Preferred Return as at the Testing Date.

(iii) If any shares are issued by the Company after 1 January

2012, the basis of calculation of the performance fee shall be adjusted in a fair and equitable manner as agreed between the parties or, in default of such agreement, determined in accordance with the dispute resolution procedures.

(iv) Subject to paragraph (v) below, 30% of the performance fee paid for any accounting period shall be applied in subscribing for ordinary shares in the Company at the higher of (1) Adjusted NAV on the Calculation Date and (2) provided at least 300,000 shares are traded during the period, the average mid-market price of the Company's ordinary shares over the 60 calendar days following the Calculation Date. The Investment Adviser shall be entitled to payment of an amount equal to the dividends which would have been payable on such shares had they been issued on the Calculation Date, as and when such dividends are paid. Such shares shall not be issued to the Investment Adviser until the determination of whether a repayment of all or part of the relevant Provisional Amount is due under paragraph (ii) above. If the

Investment Adviser fails to make any repayment due within the required period, the Investment Adviser shall forfeit its right to such number of the shares as will satisfy the repayment obligation.

(v) Shares shall not be issued to the Company under paragraph (iv) above if and to the extent their acquisition by the Company and persons acting in concert with it (for the purpose of the City Code on Takeovers and Mergers) amounts to 30% or more of the voting rights of Burford Capital Limited or if Burford Capital Limited expects to be in the foreseeable future a "passive foreign investment company" pursuant to U.S.C. § 1297 and such entitlement shall instead be payable in cash.

"Calculation Date" means the last day of any annual accounting period of the Company or the date upon which the Investment Adviser Agreement terminates.

c) Administration fee

Under the terms of an administration agreement dated 15 October 2009 between the Company and International Administration Group (Guernsey) Limited (the "Administrator"), as amended by a side letter dated 23 December 2010, effective 1 January 2011, the Administrator is entitled to receive an annual fee of £134,375, payable quarterly in advance, and further fees for the administration of the Subsidiaries.

d) Cash management arrangements

The Company retained Potomac River Capital LLC ("Potomac") to provide treasury management services and to perform investment services with respect to the Company's surplus cash pending investment. The Company paid Potomac approximately $285,000 for those services in the period ended 31 December 2010. The agreement with Potomac was amended with effect from 1 January 2011 and no fees were payable from that date other than fees embedded in the underlying investments made by Potomac.

4. Total operating expenses

	Year ended 31 December 2011 $'000	Period from 11 September 2009 to 31 December 2010 $'000
Administration fees	334	220
Audit fees	170	140
Custodian fees	50	53
Directors' remuneration	318	373
General expenses	1,257	682
Insurance	117	145
Investment advisory fee	5,927	3,197
Investment due diligence expenses	116	69
Legal and other professional expenses	788	649
	9,077	5,528

Directors' remuneration comprises:

	$'000	$'000
Sir Peter Middleton	119	139
Hugh Steven Wilson	100	119
Charles Nigel Kennedy Parkinson	51	59
David Charles Lowe	48	56
	318	373

Fees paid to Ernst & Young LLP comprise:

	$'000	$'000
Audit and interim review	170	140
Tax compliance - expensed	36	36
Other advisory fees - capitalised in investments	383	359
	589	535

5. Taxation

The Company has obtained exempt company status in Guernsey. The Company is, therefore, only liable in Guernsey to an annual Guernsey exemption fee of £600. In certain cases a subsidiary of the Company may

elect to make use of investment structures that are subject to income tax in a country related to the investment. One such investment was concluded in the period ended 31 December 2010 and $357,000 of income tax was paid with respect thereto.

6. Financial assets designated at fair value through profit or loss

	2011 $'000	2010 $'000
Listed interest bearing debt securities - fixed	29,045	206,101
Listed interest bearing debt securities - floating	-	8,487
Listed corporate bond fund	14,859	15,439
Unlisted fixed income and investment funds	100,901	-
	144,805	230,027

Reconciliation of movements:

	$'000	$'000
Balance at beginning of year/period	230,027	-
Purchases	715,024	1,041,658
Proceeds on disposal	(805,487)	(811,532)
Realised gains/(losses) on disposal	318	(160)
Fair value change at year/period end	4,923	61
Balance at end of year/period	144,805	230,027

During the year ended 31 December 2010, the bulk of the Company's investments in financial assets designated at fair value through profit or loss - cash management investments - were in commercial paper or government or corporate bonds. From time to time the Company purchased securities at prices in excess of their face value if doing so provided interest rates above current market rates; those purchases produce realised losses on disposal in addition to interest income disclosed separately. In the year ended 31 December 2011 the bulk of the financial assets designated at fair value through profit or loss were in fixed income and investment funds.

	2011 $'000	2010 $'000
Net changes in financial assets designated at fair value through profit or loss:		
Realised (including interest income)	3,360	2,192
Unrealised	4,923	61
Cash management fees	-	(285)
Total gains	8,283	1,968

Fair value measurements are based on level 1 inputs of the three level hierarchy system for $43,904,000 (2010: $77,920,000) of the fair value through profit and loss investments which indicates inputs based on quoted prices in active markets for identical assets. For $100,901,000 (2010: $152,107,000) of the fair value through profit and loss investments (including commercial paper) fair value measurements are based on level 2 inputs of the three level hierarchy system which indicates inputs other than quoted prices included in level 1 that are observable, either directly (as prices) or indirectly (derived from prices).

7. Available for sale financial assets

The Company structures its investment portfolio to include a mixture of shorter duration investments intended to produce short-term returns; medium duration or "core" investments and "special situations" investments with higher risk and longer duration designed to add noteworthy returns to the portfolio over time. The Company classifies its available for sale financial assets into tranches consistent with the foregoing portfolio structure as outlined below. Until 30 June 2011, the Company reclassified as appropriate among portfolio tranches, especially as "core" investments approached realisation and became more appropriately classified as short duration investments, but did not continue to do so following 30 June 2011.

31 December 2011

	Balance at fair value as at 1 January 2011	Additions	Real-isations	Transfers	Net realized gain for period	Fair value movement	Balance at fair value as at 31 December 2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Short Duration Investments	38,073	9,016	(29,691)	3,287	12,100	3,861	36,646
Core Investments	15,662	69,150	(10,310)	(3,287)	160	-	71,375
Special Situations Investments	8,084	6,356	-	-	-	479	14,919
Total available for sale financial assets	61,819	84,522	(40,001)	-	12,260	4,340	122,940

The net gains on available for sale financial assets included on the face of the Consolidated Statement of Comprehensive Income comprise:

	2011 $'000	2010 $'000
Net realised gain for year/period	14,714	5,138
Impairment in respect of short duration investment	(2,454)	-
Net gains on available for sale financial assets (above)	12,260	5,138
Reduction in liability for investment sub-participation (note 10)	2,667	-
Net gains on available for sale financial assets	14,927	5,138

31 December 2010

	Additions $'000	Realisations $'000	Net realised gain for period $'000	Fair value movement $'000	Balance at fair value as at 31 December 2010 $'000
Short Duration Investments	45,810	(16,632)	5,138	3,757	38,073
Core Investments	15,662	-	-	-	15,662
Special Situations Investments	8,084	-	-	-	8,084
Total available for sale financial assets	69,556	(16,632)	5,138	3,757	61,819

Fair value measurements are based on Level 3 inputs of the three level hierarchy system which indicates inputs for the assets that are not based on observable market data (unobservable inputs).

8. Litigation portfolio financing

The financing is classified as loans and receivables and measured at amortised cost. It attracts interest at 13.5% per annum, payable monthly and is repayable in instalments commencing on 31 January 2014 and maturing on 31 July 2016. It is secured on the assets of the borrower.

9. Receivables and prepayments

	2011 $'000	2010 $'000
Prepayments accrued	135	135
Accrued bond interest	334	539
Other debtors	70	-
	539	674

10. Payables

	2011 $'000	2010 $'000
Audit fee payable	94	53
General expenses payable	124	119
Investment advisory fee payable	122	279
Investment costs payable	681	882
Taxation	-	357
Investment sub-participation (note 7)	1,333	4,000
	2,354	5,690

11. Share capital

Authorised share capital	2011 $'000	2010 $'000
Unlimited Ordinary Shares of no par value	-	-
Issued share capital	**Number**	**Number**
Ordinary Shares of no par value	180,000,001	180,000,001

80,000,001 Ordinary Shares were issued at 100p each on 21 October 2009. A further 100,000,000 Ordinary Shares were issued at 110p each on 9 December 2010.

	2011 $'000	2010 $'000
Opening balance	290,577	-
Proceeds arising on issue of Ordinary Shares on 11 September 2009	-	-
Proceeds arising on issue of Ordinary Shares on 21 October 2009	-	130,736
Allocation of issue costs	-	(6,885)
Proceeds arising on issue of Ordinary Shares on 9 December 2010	-	172,485
Allocation of issue costs	(201)	(5,759)
Balance at period end	290,376	290,577

The Company has authority to make market purchases of up to 15 percent of its own issued Ordinary Shares, expiring at the conclusion of the 2011 AGM. The Board intends to exercise the authority according to circumstances and regulatory requirements at the time if and when the Ordinary Shares have traded on AIM for a period of 20 consecutive days or more at a price below 90 per cent of the last published Cash NAV.

12. Profit per Ordinary Share, Comprehensive Income per Ordinary Share and net asset value per Ordinary Share

Profit per Ordinary Share is calculated based on profit for the period of $15,893,000 (2010: $1,493,000) and the weighted average number of Ordinary Shares in issue for the period of 180,000,001 (2010: 77,899,161). Comprehensive Income per Ordinary Share is calculated based on comprehensive income for the period of $20,233,000 (2010: $5,250,000), and the weighted average number of Ordinary Shares in issue for the period of 180,000,001 (2010: 77,899,161). Profit for the period includes interest received of $3,076,000 (2010: $1,877,000).

Net asset value per Ordinary Share was calculated by dividing the total assets less total liabilities of the Company of $309,272,000 (2010: $295,827,000) by the number of Ordinary Shares then in issue of 180,000,001 (2010: 180,000,001).

Cash net asset value per Ordinary Share was calculated by dividing Cash NAV as set out below by the number of Ordinary Shares then in issue of 180,000,001 (2010: 180,000,001). Cash NAV is calculated as $298,922,000 (2010: $293,696,000).

The Net asset value reconciles to the Cash NAV as follows:

	2011 $'000	2010 $'000
Net asset value per financial statements	309,272	295,827
Payables	340	451
Receivables	(539)	(674)
Receivable re. gain on available-for sale investments	(7,741)	-
Unrealised gain on fair value through profit and loss investments	(4,984)	(61)
Net unrealised gain on available-for sale investments	(8,097)	(3,757)
Foreign exchange gain	(198)	(197)
Dividend paid	6,587	-
Amortisation of issue/placing costs	4,282	2,107
Cash NAV	298,922	293,696

13. Dividends

The Directors proposed and paid a dividend of 2.22p per share based on the Company's performance in 2010 and on known results in the year to the date of the dividend. The dividend was paid on 17 May 2011 to shareholders on the register as at close of business on 8 April 2011. That dividend was proposed and paid in Sterling: it was equivalent to $0.0366 per share.

The Directors propose a dividend of $0.0366 per share. Assuming shareholder approval, that dividend will be payable on 23 May 2012 to shareholders on the register as at close of business on 20 April 2012. The proposed dividend is being proposed, and will be paid, in US dollars, and will be converted to Sterling for UK shareholders at the time of payment.

14. Financial instruments

Market and investment risk

The Company is exposed to market and investment risk with respect to its financial assets designated at fair value through profit and loss (i.e., cash management assets) and its available for sale financial assets (i.e., its investments in claims (direct and indirect)). The maximum risk equals the fair value of all such financial instruments.

With respect to the Company's cash management assets, including interest bearing securities, corporate bonds and investment funds, market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates, credit risk, security and bond prices and foreign exchange rates. Investments in cash management assets are made at the recommendation of Potomac in line with pre-agreed parameters and subject to Board oversight. At 31 December 2011, should the prices of the investments in interest bearing securities, corporate bonds and investment funds have been 10% higher or lower while all other variables remained constant, the Company's income and net assets would have increased and decreased respectively by $14,481,000 (2010: $23,003,000).

With respect to the Company's available for sale investments, market and investment risk is the risk that the fair value of the investments (which tend to be of durations in excess of one year) will fluctuate substantially during the life of the investment and indeed that the investments may ultimately result in widely varying ranges of outcomes from a total loss to a

substantial gain.

The Company only makes investments following a due diligence process by the investment adviser and approval by the investment committee of the Board. However, such investing is high risk and there can be no assurance of any particular recovery in any individual investment. Certain of the Company's available for sale investments comprise a portfolio of litigation investments thereby mitigating the impact of the outcome of any single investment.

Following investment, the Company engages in a semi-annual review of each investment's fair value. At 31 December 2011, should the value of investments have been 10% higher or lower than provided for in the Company's fair value estimation, while all other variables remained constant, the Company's income and net assets would have increased and decreased respectively by $12,294,000 (2010: $6,182,000).

Whilst the potential range of outcomes for the investments is wide, the Company's fair value estimation is its best assessment of the current fair value of each investment. That estimate is inherently subjective being based largely on an assessment of how individual events have changed the possible outcomes of the investment and their relative probabilities and hence the extent to which the fair value has altered. The aggregate of the fair values selected falls within a wide range of reasonably possible estimates. In the Directors' opinion there is no useful alternative valuation that would better quantify the market risk inherent in the portfolio and there are no inputs or variables to which the value of the investments are correlated.

Liquidity risk
The Company is exposed to liquidity risk. The Company's available for sale investments require funds for ongoing settlement of operating liabilities and to meet investment commitments (see note 15). The Company's investments (as described in note 2 above) typically require significant capital contributions with little or no immediate return and no guarantee of return or repayment. In order to manage liquidity risk the Company makes investments with a range of anticipated durations and invests in cash management assets which can be readily realised to meet those liabilities and commitments. Cash management assets include investments in fixed income instruments and investment funds and individual liquid securities included in financial assets designated at fair value through profit or loss that can be redeemed on short notice or can be sold on an active trading market as well as investments that provide monthly liquidity. In addition the litigation portfolio financing generates regular monthly returns.

Credit risk
The Company is exposed to credit risk in various investment structures (see note 2 above), most of which involve investing sums recoverable only out of successful investments with a concomitant risk of loss of investment cost. On becoming contractually entitled to proceeds, depending on the structure of the particular investment, the Company could be a creditor of, and subject to credit risk from, a claimant, a defendant, both or other parties. Moreover, the Company may be indirectly subject to credit risk to the extent a defendant does not pay a claimant immediately notwithstanding successful adjudication of a claim in the claimant's favour. The amount due from settlement of available for sale investment disclosed on the face of the statement of financial position, which will depend on the valuation of a debtor's property, has no fixed repayment date.

The Company is also exposed to credit risk in respect of the investments at fair value through profit or loss and cash and cash equivalents. The credit risk of the cash and cash equivalents is mitigated as all cash is placed with reputable banks with a sound credit rating (A-1+). The credit risk of the financial assets at fair value through profit or loss is mitigated by investment restrictions as regards security type, geographical origin and acceptable counterparties; those investments are entirely or largely made in investment securities of investment grade quality, such as commercial paper with an A-1 or P-1 rating or corporate bonds with a rating of A or better. There are no significant concentrations of credit risk. At the year end the Company is invested in 15 (2010: 28) securities with 10 (2010: 20) different counterparties with the bulk of its cash management assets held in managed funds. Management of the fair value through profit or loss portfolio is outsourced under clear parameters with Board oversight and the assets are held with a third party custodian.

The Company is also exposed to credit risk in respect of its litigation portfolio financing receivable. As disclosed in note 8 the financing is secured against the assets of the borrower.

The maximum credit risk exposure represented by cash, cash equivalents and investments is as stated on the Statement of Financial Position.

Currency risk

The Company holds assets denominated in currencies other than US dollars, the functional currency. It is therefore exposed to currency risk, as values of the assets denominated in other currencies will fluctuate due to changes in exchange rates. The Company may use forward exchange contracts from time to time to mitigate currency risk.

At 31 December 2011, the Group's net exposure to currency risk can be analysed as follows:

	Investments & loans $'000	Net current assets/ $'000	Total $'000
US Dollar	297,745	11,433	309,178
Sterling	-	94	94
	297,745	11,527	309,272

At 31 December 2010, the Group's net exposure to currency risk can be analysed as follows:

	Investments $'000	Net current assets $'000	Total $'000
US Dollar	291,846	3,575	295,421
Sterling	-	406	406
	291,846	3,981	295,827

At 31 December 2011 should Sterling have strengthened or weakened by 10% against the US Dollar and all other variables held constant, the Company's net profit and net assets would have increased and decreased respectively by $9,000 (2010: $41,000).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rates relates primarily to the Company's cash and financial instruments at fair value through profit or loss. Whilst the litigation portfolio financing instrument is not subject to interest rate risk, changes in market interest rates can impact the fair value of the instrument. All cash bears interest at floating rates.The following table sets out the Company's exposure to interest rate risk at 31 December 2011:

	2011 $'000	2010 $'000
Non-interest bearing	241,325	72,242
Interest bearing - floating rate	8,902	17,484
Interest bearing - fixed rate	59,045	206,101
Total Net Assets	309,272	295,827

The interest bearing floating rate assets are denominated in US Dollars. If the US Dollar interest rates increased/decreased by 25 basis points while all other variables remained constant, the profit for the year/period and net assets would increase/decrease by $22,000 (2010: $43,000). For fixed rate assets it is estimated that profit and net assets for the period would decrease by $1,352,000 (2010: $485,000)/increase by $1,448,000 (2010: $515,000) respectively.

The maturity profile of interest bearing assets is:

Maturity period 2011	Floating $'000	Fixed $'000	Total $'000
Less than 3 months	8,902	10,392	19,294
3 to 6 months	-	-	-
6 to 12 months	-	11,592	11,592
Greater than 12 months	-	37,061	37,061
	8,902	59,045	67,947

Maturity period 2010	Floating $'000	Fixed $'000	Total $'000
Less than 3 months	8,997	167,610	176,607
3 to 6 months	1,499	1,738	3,237
6 to 12 months	-	-	-
Greater than 12 months	6,988	36,753	43,741
	17,484	206,101	223,585

Management of capital

The Company is closed ended and therefore there is no requirement to return capital to shareholders until the closure of the Company. The Company's objective is to provide Shareholders with attractive levels of dividends and capital growth. It is the intention to pay cash dividends from net cash gains. The Company does not employ borrowing. Cash management assets are managed to ensure adequate liquidity to meet commitments and to ensure resources are available to finance investments as opportunities arise. The Company sought additional capital in order to grow and diversify the claims investment portfolio. £110 million ($175 million) of additional capital was raised in December 2010. The Company also has authority to make market purchases of up to 15% of its own issued Ordinary Shares as disclosed in note 11.

Fair values

The financial assets and liabilities including available for sale investments and the financial assets at fair value through profit or loss are stated at fair value (see note 2 above). The litigation portfolio financing is carried at amortised cost. For financial instruments held at amortised costs the carrying value approximates to fair value.

15. Financial commitments and contingent liabilities

As a normal part of its business, the Company routinely enters into some investment agreements that oblige the Company to make continuing investments over time, whereas other agreements provide for the immediate funding of the total investment commitment. The terms of the former type of investment agreements vary widely; in some cases, the Company has broad discretion as to each incremental funding of a

continuing investment, and in others, the Company has little discretion and would suffer punitive consequences were it to fail to provide incremental funding. Moreover, in some agreements, the Company's funding obligations are capped at a fixed amount, whereas in others the commitment is not fixed (although the Company estimates its likely future commitment to each such investment). At 31 December 2011, considering the amount of capped commitments and the Company's estimate of uncapped funding obligations, the Group had outstanding commitments for approximately $72million (2010: $33 million); that figure does not include executed investment agreements that are capable of cancellation without penalty by the Group for adverse findings during a post-agreement diligence period. Of that $72 million in commitments, the Company expects less than 50% to be sought from it during the next twelve months.

16. Related party transactions

Investment advisory fees for the period payable to Burford Group Limited amounted to $5,927,000 (2010: $3,197,000). The amount of Investment advisory fees outstanding at 31 December 2011 was $122,000 (2010: $279,000).

Directors' fees paid in the period amounted to $318,000 (2010 $373,000). There are no Directors' fees outstanding at 31 December 2011 and 2010.

Administration fees payable to International Administration Group (Guernsey) Limited ("IAG") are disclosed in note 4. There are no administration fees outstanding at 31 December 2011 or 2010.

There is no controlling party.

17. Subsequent events

On 9 December 2011, the Company entered into a conditional agreement, subject to FSA approval, for the acquisition of Firstassist Legal Group Holdings Limited and its subsidiaries ("Firstassist"). FSA approval was granted in February 2012 and the acquisition was completed on 29 February 2012. The Company acquired 100% of Firstassist's preferred ordinary shares (par value £24,815,795) and 87.5% of Firstassist's ordinary shares, with the remainder of the ordinary shares continuing to be owned by Firstassist's management.

The transaction structure includes:

- A payment of £10.3 million at closing with the business delivered debt-free with a minimum £3 million of net cash in hand.
- A post-closing adjustment for movement in net tangible assets (excluding goodwill) by which the Company will pay to or receive from the Seller the movement in net tangible assets over an agreed pre-closing period (the "NTA Adjustment")
- A further contingent payment of up to £7 million in an earn-out payment in 2014, which is dependent upon Firstassist achieving a combined EBITDA target for 2012 and 2013 of £19.3 million or more; a lower earn-out will be triggered if the EBITDA is not reached and the earn-out mechanism ceases if the combined EBITDA is below £14.5 million or if the business' volume of new insurance coverage written declines substantially.

In addition to the acquisition of Firstassist's existing business, the

transaction permits Burford to enter the UK litigation funding market.

The acquisition agreement sets forth a post-closing process for agreeing the NTA Adjustment that is expected to take sixty days following closing. As this period has not yet expired, the fair value of the acquisition is not yet known and the initial accounting is incomplete. It is expected that the full disclosures as required under IFRS 3 will be made in the Company's interim report as at 30 June 2012.

This information is provided by RNS
The company news service from the London Stock Exchange

END

FR BKNDNABKDFQK